

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 00192 01 OF 03 101351Z

44

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 OES-03 L-02 INR-07 H-01 PM-03

SAM-01 SP-02 RSC-01 SSO-00 INRE-00 SS-15 NEA-09 /064 W

----- 119224

O R 101255Z JAN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 8077

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 1 OF 3 EC BRUSSELS 0192

STADIS

E.O. 11652: N/A

TAGS: NERG, EEC

SUBJECT: ENERGY: TREATMENT OF CRUDE OIL AND PETROLEUM PRODUCTS
IN THE EC

REF: A) STATE 01950, 1974 (STADIS)

B) EC BRUSSELS 0564, 1971

C) EC BRUSSELS 1854, 1971

D) EC BRUSSELS 0412, 1972

E) EC BRUSSELS 1143, 1972

F) EC BRUSSELS 3812, 1972

G) EC BRUSSELS 1345, 1973

H) EC BRUSSELS 2504, 1973

I) EC BRUSSELS 2927, 1973

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 00192 01 OF 03 101351Z

J) EC BRUSSELS 3092, 1973

K) EC BRUSSELS 7166, 1974
L) EC BRUSSELS 8392, 1974
M) EC BRUSSELS 9443, 1974
N) EC BRUSSELS 10014, 1974
O) EC BRUSSELS 10090, 1974
P) EC BRUSSELS A 130, MAY 16, 1974
Q) EC BRUSSELS A 350, NOV. 21, 1974

1. SUMMARY: SINCE 1964, THE EC'S COMMON EXTERNAL TARIFF HAS APPLIED TO IMPORTS OF CRUDE PETROLEUM AND PETROLEUM PRODUCTS. ALTHOUGH THERE ARE DUTIES FOR THE PETROLEUM PRODUCTS LISTED IN THE COMMON EXTERNAL TARIFF, DUTIES HAVE BEEN REDUCED TO ZERO FOR A SIGNIFICANT NUMBER OF SUB-HEADINGS AND THERE IS NO DUTY ON CRUDE. THE EC'S GENERALIZED SYSTEM OF PREFERENCE (GSP) SCHEME ALSO APPLIES TO PETROLEUM PRODUCTS CRUDE PETROLEUM AND PETROLEUM PRODUCTS ARE NOT, REPEAT, NOT HOWEVER, SUBJECT TO THE COMMON COMMERCIAL POLICY AND A KEY ELEMENT OF THE PROPOSED COMMON ENERGY PROGRAM IS TO HAVE THESE PRODUCTS INCLUDED IN THE COMMON COMMERCIAL POLICY. THE GENERAL ARTICLES OF THE TREATY, SUCH AS THOSE DEALING WITH COMPETITION, ENVIRONMENT AND STATE AIDS, APPLY TO THE OIL INDUSTRY AS TO ANY OTHER INDUSTRIAL SECTOR.

2. SINCE EARLY IN THE COMMUNITY'S HISTORY, THE ORGANS OF THE COMMUNITY HAVE SOUGHT TO ESTABLISH A COMMON ENERGY POLICY. THESE EFFORTS HAVE BEEN LARGELY UNSUCCESSFUL DUE TO THE UNWILLINGNESS OF THE MEMBER STATES TO FOREGO THEIR CONTROL OF SO VITAL A SEGMENT OF THE ECONOMIES AND DIFFERENCES OF VIEW ON MARKET ORGANIZATION. THE OIL CRISIS OF THE FALL OF 1973 BOTH PROVIDED NEW INCENTIVES TO DEVELOP COMMON POLICIES AND SHARPENED SOME OF THE DIFFERENCES. ALTHOUGH FRENCH UNWILLINGNESS TO JOIN ITS EIGHT PARTNERS IN THE INTERNATIONAL ENERGY AGENCY INITIALLY PROVIDED TO BE A MAJOR DIVISIVE FACTOR, IT MAY BE THAT THE RECENT IMPROVEMENT IN FRANCE'S ATTITUDE TOWARD THE IEA -- AND THE PROGRESS MADE IN THAT FORUM -- WILL REMOVE SOME OF THE ROADBLOCKS TO EC ENERGY POLICY. EVEN SO PROGRESS WILL BE SLOW.
ENS SUMMARY

3. INTRODUCTION: THIS REPLY TO REFTEL A IS DIVIDED INTO TWO SECTIONS, ONE DISCUSSING THE TREATMENT OF CRUDE OIL AND PETROLEUM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 00192 01 OF 03 101351Z

PRODUCTS UNDER THE TREATY OF ROME AND THE SECOND TRACING THE COMMUNITY'S EFFORTS TO ESTABLISH A COMMON ENERGY POLICY. THE MISSION'S FILES FOR THE EARLY PERIODS ARE NOT COMPLETE AND THE EXAMPLES USED IN PART II SHOULD BE CONSIDERED ILLUSTRATIVE, NOT INCLUSIVE. END INTRODUCTION

4. TREATMENT OF CRUDE OIL AND PETROLEUM PRODUCTS UNDER THE TREATY OF ROME.

THE TREATMENT OF CRUDE OIL AND PETROLEUM PRODUCTS UNDER THE TREATY OF ROME MAY BE LOOKED AT UNDER THE FOLLOWING THREE HEADINGS: A) TARIFF TREATMENT; B) APPLICATION OF THE COMMON COMMERCIAL POLICY (A COMMON POLICY OF QUANTITATIVE IMPORT AND EXPORT RESTRICTIONS TOWARD THE REST OF THE WORLD); AND C) APPLICATION OF GENERAL TREATY PROVISIONS.

5. TARIFF TREATMENT - THE TREATY OF ROME CONTAINS A "PROTOCOL ON MINERAL OILS AND CERTAIN OF THEIR DERIVATIVES" WHICH ALLOWED MEMBER STATES TO MAINTAIN CUSTOMS DUTIES AND CHARGES TOWARD EACH OTHER AND NON-MEMBER STATES ON PRODUCTS FALLING WITHIN CXT (COMMERCIAL EXTERNAL TARIFF) NOS. 27.09 - 27.13 FOR A PERIOD OF SIX YEARS AFTER THE TREATY ENTERED INTO FORCE. (SEE TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES, P. 457). THESE ITEMS REMAINED UNTIL 1964 ON SO-CALLED LIST "G" -- ITEMS NOT SUBJECT TO A CXT (IBID, 0-3 384).

6. ON MAY 8, 1964, THE COUNCIL OF MINISTERS AGREED TO A DIRECTIVE ESTABLISHING A COMMON EXTERNAL TARIFF FOR PETROLEUM PRODUCTS. THE TARIFFS ESTABLISHED AT THAT TIME REMAIN VERY MUCH THE SAME TODAY. CRUDE HAS NO TARIFF (27.09) AND PETROLEUM PRODUCTS ARE SEEMINGLY SUBJECT TO TWO RATES: AN AUTONOMOUS RATE AND A CONVENTIONAL RATE. THE CONVENTIONAL RATE (I.E., RATE REACHED IN NEGOTIATIONS WITH OTHER COUNTRIES) IS THE APPLICABLE RATE EXCEPT WHERE THERE HAVE BEEN DUTY SUSPENSIONS. THE DUTY IS ENTIRELY SUSPENDED FOR PRODUCTS WHICH ARE IMPORTED FOR THE PURPOSE OF UNDERGOING FURTHER PROCESSING OR CHEMICAL TRANSFORMATIONS (SEE CHAPTER 27 OF THE COMMON EXTERNAL TARIFF BOUND IN THE OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES VOL. 17, NO. L 295, NOV. 1, 1974. THE OFFICIAL JOURNAL IS RECEIVED IN THE DEPARTMENT BY EUR/RPE AND OPR/LR.) OTHER TARIFF ASPECTS ARE (A) SPECIAL TARIFF TREATMENT FOR PETROLEUM PRODUCTS FROM A FEW MEDITERRANEAN COUNTRIES, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 00192 01 OF 03 101351Z

WITH ALGERIAN PRODUCTS RECEIVING DUTY FREE TREATMENT UP TO CERTAIN LIMITS, AND (B) GENERALIZED SYSTEM OF PREFERENCES (GSP) TREATMENT FOR PETROLEUM PRODUCTS FROM LDCS WHICH INCLUDES THE OIL PRODUCERS. (REFTEL L; ALSO SEE OFFICIALS JOURNAL VOL. 17, NO. L 329, DEC. 9, 1974, P. 73.) IN ADDITION, GERMANY HAS BEEN PRESSING THE COMMUNITY TO ADOPT PREFERENTIAL TREATMENT FOR IRANIAN PETROLEUM PRODUCTS. (SEE REFTEL N.)

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 00192 02 OF 03 101429Z

44

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 OES-03 L-02 INR-07 H-01 PM-03

SAM-01 SP-02 RSC-01 SSO-00 INRE-00 SS-15 NEA-09 /064 W

----- 119602

O R 101255Z JAN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 8078

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 2 OF 3 EC BRUSSELS 0192

STADIS

7. RESTRICTIONS ON INTRA-COMMUNITY TRADE - UNDER ARTICLES 9 AND 10 OF THE TREATY THERE IS TO BE FREE CIRCULATION OF GOODS WITHIN THE COMMUNITY AND THEREFORE NEITHER EXPORT NOR IMPORT CONTROLS AMONG THE MEMBER STATES. HOWEVER, FRANCE HAS FOR MANY YEARS OBTAINED DECISIONS UNDER ARTICLE 115 ALLOWING IT TO CONTROL THE IMPORT OF REFINED PRODUCTS FROM NON-MEMBER COUNTRIES WHICH ENTER THE EEC THROUGH OTHER MEMBER COUNTRIES. IT SHOULD ALSO BE NOTED THAT DURING THE OIL CRISIS IN 1973-74, SOME MEMBER STATES IMPOSED EXPORT CONTROLS OF PETROLEUM PRODUCTS EVEN IF THE DISTRIBUTION WAS TO OTHER MEMBER STATES. THEY CLAIMED THEY WOULD GRANT AUTOMATIC LICENSES FOR SUCH EXPORTS BUT IT WAS CONSIDERED BY COMMISSION OFFICIALS AS A VIOLATION OF THE TREATY. WE HAVE BEEN TOLD THAT SUCH LICENSING REGULATIONS HAVE SINCE BEEN REMOVED.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 00192 02 OF 03 101429Z

8. APPLICATION OF THE COMMON COMMERCIAL POLICY - THE

COMMON COMMERCIAL POLICY (CCP) DEFINES THOSE ASPECTS OF TRADE POLICY TOWARD THIRD COUNTRIES WHICH ARE COMPLETELY WITHIN THE COMPETENCE OF THE COMMUNITY PER SE AND WHERE THE MEMBER STATES NO LONGER HAVE INDEPENDENT AUTHORITY. IN 1969 AND 1970, THE EC COUNCIL IN THE CONTEXT OF THE COMMON COMMERCIAL POLICY ADOPTED THREE REGULATIONS WHICH ESTABLISH (A) COMMON RULES FOR EXPORTS TO NON-MEMBER COUNTRIES (REGULATION NO. 2603/69 - J.O. NO. L 324, DEC. 27, 1969, P. 25), (B) COMMON RULES FOR IMPORTS FROM STATE-TRADING COUNTRIES (REGULATION NO. 109/70, J.O. L 19, JAN. 26, 1970, P. 1), AND (C) COMMON RULES FOR IMPORTS FROM NON-MEMBER COUNTRIES (REGULATION 1025/70, J.O. NO. 124, JUNE 8, 1970, P. 6).

9. THE REGULATIONS ON IMPORTS HAVE ANNEXED LISTS WHICH CONTAIN THE PRODUCTS WHICH SHALL FALL UNDER THE REGULATIONS. CRUDE OIL AND PETROLEUM PRODUCTS ARE NOT ON THESE LISTS. THE REGULATION ON EXPORTS CITED ABOVE CONTAINS A LIST OF PRODUCTS NOT REPEATED NOT SUBJECT TO THE COMMON EXPORT REGULATIONS. CRUDE AND SOME PETROLEUM PRODUCTS (CCT NOS. 27.09 AND 27.10) ARE ON THE LIST. THUS, CRUDE PETROLEUM AND PETROLEUM PRODUCTS HAVE IN PRINCIPLE NEVER BEEN INCLUDED IN THE COMMON COMMERCIAL POLICY. IT SHOULD BE NOTED, HOWEVER, THAT A REGULATION OF DECEMBER 19, 1972 (J.O. L 299 OF DEC. 31, 1973, P. 46) FORBIDS MEMBER STATES FROM MAKING UNILATERAL CHANGES IN THEIR IMPORT POLICIES FOR PRODUCTS NOT INCLUDED IN THE CCP WITHOUT FIRST OBTAINING THE AGREEMENT OF THE OTHER MEMBER STATES.

10. BECAUSE OF THE ABSENCE OF CRUDE AND PETROLEUM PRODUCTS FROM THE CCP, A KEY ELEMENT IN THE PROPOSED COMMON ENERGY POLICY IS A PROPOSAL FOR A REGULATION OF THE COUNCIL CONCERNING COMMON RULES FOR IMPORTS AND EXPORTS OF HYDROCARBONS (SEE PARA 21 BELOW). THIS PROPOSAL WOULD PLACE CRUDE '27.09) AND PRODUCTS UNDER 27.10 AND 27.11 OF THE CCT ON THE LIST OF PRODUCTS SUBJECT TO THE CCP ANNEXED TO THE REGULATION ON IMPORTS (SEE ABOVE). IT WOULD ALSO ELIMINATE SUBHEADINGS CCT 27.09 AND 27.10 FROM THE LIST APPENDED TO THE REGULATIONS ON EXPORTS.

11. GENERAL PROVISIONS OF THE ROME TREATY. THE GENERAL PROVISIONS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 00192 02 OF 03 101429Z

VISIONS OF THE ROME TREATY SUCH AS ARTICLES 85 AND 86 (AGREEMENTS IN RESTRAINT OF TRADE AND ABUSE OF DOMINANT POSITION) (REPAIR Q), ARTICLE 92 (STATE AIDS) APPLY TO THE OIL INDUSTRY AS THEY WOULD TO OTHER INDUSTRIAL SECTORS. EC COUNCIL DIRECTIVES REGARDING THE ENVIRONMENT WOULD APPLY TO PETROLEUM AND PETROLEUM PRODUCTS (REPAIR P).

12. EFFORTS TO ESTABLISH A COMMON ENERGY POLICY - THE EUROPEAN COMMUNITY FROM THE BEGINNING HAS ATTEMPTED TO ESTABLISH A

COMMON ENERGY POLICY TO COVER ALL FORMS OF ENERGY, NOT JUST PETROLEUM. THE EC'S EARLY EFFORTS IN THIS AREA WERE SINGULARLY UNSUCCESSFUL. BEGINNING IN 1959, AN INTEREXECUTIVE WORKING GROUP, CONSISTING OF OFFICIALS OF THE EEC, THE ECSC AND EURATOM ATTEMPTED TO ESTABLISH A VIABLE COMPETITIVE RELATIONSHIP BETWEEN OIL AND COAL BUT IN 1962 THE COUNCIL MERELY NOTED ITS REPORT AND PROVIDED NO GUIDANCE.

13. IN 1964, THE COUNCILS OF ALL THREE BODIES DID APPROVE AN ENERGY POLICY PROTOCOL WHICH HAD BEEN PREPARED BY THE HIGH COMMISSION OF THE ECSC BUT ITS OBJECTIVES -- CHEAP SECURE AND STABLE SUPPLY, SUBSTITUTION WITH RESPECT TO THE SOURCE OF ENERGY, CHOICE FOR THE CONSUMERS AND FAIR COMPETITION - WERE SO GENERAL AS TO BE ALMOST MEANINGLESS. NEVERTHELESS, THE PROTOCOL PROVIDED A LEGAL BASIS FOR FUTURE COMMUNITY ACTION ON ENERGY MATTERS.

14. DURING 1964 AND 1965, THE EEC COMMISSION CONTINUED ITS EFFORTS TO FIND AN ACCEPTABLE BASIS FOR A COMMON POLICY AND IN 1966 FORWARDED TO THE COUNCIL A "MEMORANDUM ON THE COMMUNITY'S POLICY FOR PETROLEUM AND NATURAL GAS". THIS EFFORT FAILED, HOWEVER, AS THE COUNCIL, IN 1967, ONLY NOTED THE MEMORANDUM.

15. DURING 1968, THE COUNCIL TOOK ONE SPECIFIC POSITIVE ACTION TOWARDS A COMMON POLICY WITH THE ADOPTION OF A FOUR YEAR OLD COMMISSION PROPOSAL FOR A STOCKPILING DIRECTIVE. IN FACT, THE COUNCIL DIRECTIVE SIMPLY STANDARDIZED ARRANGEMENTS WHICH HAD BEEN ACCEPTED BY THE MEMBER GOVERNMENTS IN 1962 IN THE OECD UNDER WHICH MEMBER STATES WOULD HOLD AS STOCKS 65 DAYS OF AVERAGE INTERNAL CONSUMPTION.

16. DURING 1967, THE THREE EXECUTIVE BODIES OF THE EEC, THE ECSC AND EURATOM WERE MERGED INTO THE PRESENT EUROPEAN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 00192 02 OF 03 101429Z

COMMISSION. THE EXPANDED COMMISSION'S FIRST ENERGY INITIATIVE WAS THE PRESENTATION TO THE COUNCIL, IN 1968, OF ITS "FIRST GUIDELINES FOR A COMMUNITY ENERGY POLICY". WHILE THE GUIDELINES PAID LIP SERVICE TO AN OPEN ENERGY POLICY BASED ON COMPETITION, THEY WENT ON TO LIST NO LESS THAN 37 SUBJECTS ON WHICH THE COMMISSION UNDERTOOK TO SUBMIT PROPOSALS TO THE COUNCIL. THIS EFFORT, LIKE MANY OF ITS PREDECESSORS, WAS ONLY NOTED BY THE COUNCIL IN 1969. THE COUNCIL, DID, HOWEVER, INVITE THE COMMISSION TO SUBMIT ITS DETAILED PROGRAM AND THE COMMISSION SUBMITTED A NUMBER OF PROPOSALS.

17. AFTER PROTRACTED DEBATE AND CONSIDERABLE MODIFICATION OF THE ORIGINAL PROPOSALS, THE COUNCIL, ON JANUARY 31, 1972, ADOPTED REGULATIONS WHICH INSTITUTED COMMUNITY-WIDE REPORTING REQUIREMENTS FOR INVESTMENTS IN THE PETROLEUM, GAS AND ELECTRICAL GENERATION SECTORS, AND FOR IMPORTS OF

HYDROCARBONS INTO THE COMMUNITY. (REFTEL D).

18. THE REGULATION ON NOTIFICATION OF INVESTMENT PROEJECTS PROVIDES THAT MEMBER STATES REPORT ANNUALLY TO THE COMMISSION THE INVESTMENT PROGRAMS OF PUBLIC AND PRIVATE FIRMS RELATED TO THE PRODUCTION, STORAGE AND DISTRIBUTIO OF HYDROCARBON OR ELECTRICAL ENERGY IN THE MEMBER STATES. THE REGULATION ON HYDROCARBON IMPORTS PROVIDES THAT THE MEMBER STATES SUBMIT ANNUALLY THE CONSOLIDATED IMPORT PROJECTIONS OF THE PETROLEUM COMPANIES OPERATING IN THE MEMBER STATES, AND SEMI-ANNUALLY THE ACTUAL IMPORTS BROKEN DOWN BY COMPANY. MOREOVER, DURING A SUPPLY CRISIS, THE COMMISSION MAY ALSO REQUIRE MEMBER STATES TO SUPPLY IMPORT PROEJECTIONS BROKEN DOWN BY COMPANY PRIOR TO ACTUAL IMPORT, AND AT MORE FREQUENT INTERVALS THAN CITED ABOVE. THE DETERMINATION THAT A SUPPLY CRIDIS EXISTS WOULD BE MADE BY THE COMMISSION AFTER CONSULTATIONS WITH -- AND IN PRACTICE ALMOST CERTAINLY THE CONSENT OF -- THE MEMBER STATES.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 00192 03 OF 03 101439Z

44

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 OES-03 L-02 INR-07 H-01 PM-03

SAM-01 SP-02 RSC-01 SSO-00 INRE-00 SS-15 NEA-09 /064 W

----- 119715

O R 101255Z JAN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 8079

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 3 OF 3 EC BRUSSELS 0192

STADIS

19. IN OCTOBER 1972, THE COMMISSION FORWARDED ADDITIONAL RECOMMENDATIONS TO THE COUNCIL (REFTEL F), TWO OF WHICH -- THOSE DEALING WITH MEASURES TO BE TAKEN BY MEMBER STATES IN THE EVENT OF AN OIL CRISIS, AND SUPPORT FOR COMMUNITY PROJECTS IN OIL AND GAS EXPLORATION, PRODUCTION, STORAGE AND TRANSPORTATION -- WERE ADOPTED BY THE COUNCIL ON MAY 22, 1973 (REFTEL I AND J).

20. THE DIRECTIVE ON EMERGENCY MEASURES REQUIRES THAT MEMBER STATES PROVIDE THEIR RESPECTIVE NATIONAL AUTHORITIES WITH THE POWERS THEY NEED TO TAKE APPROPRIATE COMMUNITY-WIDE ACTION IN THE EVENT OF A CRISIS IN PETROLEUM SUPPLIES. THESE ACTIONS INCLUDE: DRAWING ON EMERGENCY STOCKS AND MAKING ALLOCATIONS FROM THEM TO CONSUMERS, RESTRICTING CONSUMPTION DEPENDING ON THE SEVERITY OF THE SHORTAGE, ESTABLISHING PRIORITIES FOR THE USE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 00192 03 OF 03 101439Z

OF PETROLEUM PRODUCTS AND REGULATING PRICES TO AVOID SPECULATION. MEMBER STATES WERE GIVEN UNTIL JUNE 30, 1974 TO DRAW UP THE NECESSARY LAWS, DECREES AND REGULATIONS AND REPORT BACK TO THE COMMISSION. THE REGULATION GOVERNING SUPPORT FOR COMMUNITY PROJECTS PROVIDES FOR PROJECT PROPOSALS TO BE SUBMITTED TO THE COMMISSION FOR APPROVAL. SUPPORT WOULD BE IN THE FORM OF LOAN GUARANTEES, LOANS AND SUBSIDIES.

21. WITH THE AUTUMN 1973 MIDDLE EAST WAR AND THE ASSOCIATED OIL CRISIS, THE COMMUNITY'S EFFORTS TO ESTABLISH A COMMON ENERGY POLICY -- WHICH AS THE FOREGOING ILLUSTRATES HAD THEREFORE BEEN ONLY marginally successful -- RECEIVED A NEW IMPETUS. AT THE COPENHAGEN SUMMIT OF THE NINE IN DECEMBER 1973, THE HEADS OF STATE REQUESTED THE COMMISSION TO SUBMIT TO THE COUNCIL BY JANUARY 31, 1974, PROPOSALS FOR DEALING WITH PROBLEMS ARISING FROM THE CRISIS.

22. THE COMMISSION RESPONDED WITH A PAPER ENTITLED "TOWARDS A NEW ENERGY POLICY STRATEGY FOR THE EUROPEAN COMMUNITY" WHICH IT FORWARDED TO THE COUNCIL ON JUNE 5, 1974. THIS WAS AN AMBITIOUS DOCUMENT WHICH ESTABLISHED LONG RANGE AND INTERMEDIATE OBJECTIVES FOR ALL MAJOR ENERGY SOURCES AND MADE SEVERAL SPECIFIC PROPOSALS INCLUDING THE ADOPTION OF COMMON RULES FOR IMPORTS AND EXPORTS OF CRUDE OIL AND GAS OIL AND GAS PRODUCTS. (SEE DISCUSSION OF THIS ISSUE AT PARAS 7, 8 AND 9, ABOVE.)

23. IN JULY OF 1974, THE COUNCIL EXAMINED AT LENGTH AND THEN, BECAUSE OF BRITISH RECALCITRANCE, FAILED TO ACT ON A RESOLUTION RELATING TO THE COMMISSION PAPER BUT AT ITS MEETING ON SEPTEMBER 19 (REFTEL K), THE COUNCIL NESSENTIALLY PASSED THE

SAME RESOLUTION. AS FINALLY APPROVED, THE RESOLUTION AFFIRMS THE COMMUNITY'S "WILL TO DRAW UP AND IMPLEMENT A COMMUNITY ENERGY POLICY". THE COUNCIL UNDERTOOK TO MEET AGAIN BEFORE THE END OF 1974 TO TAKE DECISIONS ON TARGET FIGURES FOR COMMUNITY ENERGY AND CONSUMPTION UNTIL 1985, ON GUIDELINES FOR THE DEVELOPMENT OF EACH SOURCE OF ENERGY AND ON GUIDELINES FOR THE ORDERLY FUNCTIONING OF A COMMON MARKET IN ENERGY.

24. THIS WAS THE TASK OF THE DECEMBER 17, 1974, COUNCIL ON ENERGY. IT HAD BEFORE IT A COMMISSION PAPER SETTING FORTH OBJECTIVES FOR 1985 AND SEPARATE POLICY PAPERS CONTAINING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 00192 03 OF 03 101439Z

SPECIFIC PROPOSALS FOR IMPLEMENTING THEM. THE MOST IMPORTANT ACHIEVEMENT OF THE DECEMBER 17 MEETING WAS THE ADOPTION OF THE COMMUNITY OBJECTIVES. THE MINISTERS AGREED TO: AN INCREASE IN COMMUNITY GAS PRODUCTION TO BETWEEN 175-225 MILLION TONS OIL EQUIVALENT (MTOE); AN INCREASE IN GAS IMPORTS TO 95-115 MTOE; THE MAINTENANCE OF COMMUNITY COAL PRODUCTION AT PRESENT LEVELS AND AN INCREASE IN COAL IMPORTS; THE PROVISION OF AT LEAST 160 GIGAWATTS (GWE) AND, IF POSSIBLE, 200 GWE FROM NUCLEAR POWER STATIONS; AN INCREASE IN COMMUNITY OIL PRODUCTION BY AT LEAST 180 MTOE; AND A REDUCTION OF OIL IMPORTS TO A MAXIMUM OF 550 MTOE.

25. THE COUNCIL ALSO APPROVED THE COMMISSION'S PAPER ON RATIONAL USE OF ENERGY, AGREED TO A DIRECTIVE RESTRICTING THE USE OF NATURAL GAS IN POWER STATIONS AND ADOPTED REGULATIONS REQUIRING THAT MEMBER STATES SUBMIT REPORTS TO THE COMMISSION INDICATING THE PAST AND ANTICIPATED IMPORTS AND EXPORTS OF CRUDE OIL, REFINED PETROLEUM PRODUCTS AND NATURAL GAS. (REFTEL N).

26. TO DATE, AS THE ABOVE INDICATES, THE COMMUNITY HAS VERY LITTLE TO SHOW FOR ITSELF IN TERMS OF A COMMON ENERGY POLICY. UNTIL THE 1973 CRISIS IT WAS ORIGINALLY PURELY EUROPEAN DIFFERENCES THAT BLOCKED PROGRESS. EVEN PRIOR TO UK ENTRY THERE WERE DIFFERENCES IN PHILOSOPHY AND METHODOLOGY REGARDING THE PETROLEUM MARKET WITH, IN PARTICULAR, FRANCE AND ITALY FAVORING MORE GOVERNMENT INTERVENTION THAN THE FRG AND THE NETHERLANDS WOULD ACCEPT. WITH THE '73 CRISIS, AND MORE PARTICULARLY THE WASHINGTON ENERGY CONFERENCE OF 1974, A NEW COMPLICATING FACTOR WAS ADDED -- THE FRENCH REFUSAL TO GO ALONG WITH THE OTHER EIGHT IN THE WORK OF THE ENERGY COORDINATING GROUP AND FINALLY THE INTERNATIONAL ENERGY AGENCY.

27. NOW THAT FRANCE HAS MORE OR LESS RECONCILED ITS DIFFERENCES WITH THE OTHER EIGHT AND THE US IT IS POSSIBLE THAT THE CEP WILL FINALLY GET OFF THE GROUND. BUT WE EXPECT THAT FOR SOME TIME TO COME AT LEAST, IT WILL FOLLOW, RATHER THAN

BE IN ADVANCE OF, THE IEA EFFORTS.GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, ENERGY, PETROLEUM PRODUCTS, TREATY COMPLIANCE, POLICIES, CUSTOMS DUTIES, TREATY OF ROME, CARTELS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JAN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU00192
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750010-0758
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750163/aaaacczy.tel
Line Count: 494
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: 75 STATE 01950, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by MartinML>; APPROVED <16 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: TREATMENT OF CRUDE OIL AND PETROLEUM PRODUCTS IN THE EC
TAGS: ENRG, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006